

DEBT MANAGEMENT PROGRAM

OUTSTANDING DEBT

As of June 30, 2002, the City of Salisbury will have \$62,551,534 in outstanding debt for all funds. The type of debt and the breakdown between funds are shown below:

General Fund:	
General obligation bonds	\$ 2,825,000
Capital leases	<u>2,434,349</u>
	<u>\$ 5,259,049</u>
Water and Sewer Fund:	
General obligation bonds	\$ 16,080,000
Revenue bonds	22,270,000
Capital leases	3,874,595
State Clean Water Revolving Loans	<u>15,067,590</u>
	<u>\$ 57,292,185</u>
Total	<u>\$ 62,551,234</u>

General Fund

The City has lease agreements to finance the acquisition of various equipment. These agreements qualified as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, were recorded at the present value of the future minimum lease payments as of the date of their inception. These lease agreements are outlined as follows:

Lease for capital improvements and acquisition of facilities from Wachovia Bank of North Carolina, dated December 1, 1996, payable in fourteen semi-annual installments of \$149,222.75 at an effective annual interest rate of 4.91%.

Lease for capital building improvements from BB&T, dated December 29, 1999, payable in twenty semi-annual installments of \$63,331.96 at an effective annual interest rate of 4.73%.

Lease for fire truck from First Bank, dated June 29, 2000, payable in eight semi-annual installments of \$83,447.92 at an effective interest rate of 5.20%.

Lease for capital improvements of facilities from Bank of America, dated December 22, 2000, payable in thirty semi-annual installments varying from \$59,875 on June 22, 2001 to \$34,223 on December 22, 2015 at an effective interest rate of 5.3251%.

The construction and improvements to facilities funded by Wachovia Bank of North Carolina and BB&T are complete. The construction and improvements to facilities funded by Bank of America are currently under construction. All improvements are recorded at their construction cost upon completion. The fire truck, funded by First Bank, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The City issued \$373,000 general obligation bonds in November 1993. These bonds were designated for improvements to downtown parking facilities in the amount of \$273,000, while the balance of \$100,000 was for construction of recreation facilities. These bonds were issued at an average interest rate of 4.846%, maturing serially to 2004.

In November 1995, the City issued \$355,000 general obligation bonds for parks and recreational improvements. These bonds were issued at an average rate of 5.2756%, maturing serially to 2006.

In December 1997, the City issued \$3,000,000 general obligation bonds for parks and recreational improvements. These bonds were issued at an average rate of 4.79%, maturing serially to 2017.

Future maturities and interest on General Fund long-term debt are:

Year Ending June 30,	General Obligation Bonds		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 180,000	\$ 136,020	\$ 590,401	\$ 115,292	\$ 770,401	\$ 251,312
2004	180,000	127,210	467,497	85,542	647,497	212,752
2005	200,000	118,400	165,771	67,484	365,771	185,884
2006	190,000	108,650	170,514	59,192	360,514	167,842
2007	200,000	99,550	175,484	50,674	375,484	150,224
2008	200,000	90,050	180,692	41,995	380,692	132,045
2009	200,000	80,550	186,149	32,911	386,149	113,461
2010	200,000	70,950	128,535	23,644	328,535	94,594
2011	200,000	61,350	66,667	18,633	266,667	79,983
2012	200,000	51,750	66,667	15,123	266,667	66,873
2013	200,000	42,150	66,667	11,535	266,667	53,685
2014	200,000	32,550	66,667	7,987	266,667	40,537
2015	200,000	22,950	66,667	4,438	266,667	27,388
2016	200,000	13,350	33,333	890	233,333	14,240
2017	75,000	3,750	-	-	75,000	3,750
Totals	\$ 2,825,000	\$ 1,059,230	\$ 2,431,710	\$ 535,340	\$ 5,256,710	\$ 1,594,570

Water and Sewer Fund

Long-term debt of the Water and Sewer Fund includes the following general obligation and revenue bond issues:

	Balance June 30, 2002
Sanitary Sewer Series 1989, average rate of 6.5245%, issued July 1989, maturing serially to 2008	\$ 575,000
Sanitary Sewer Series 1992, average rate of 6.0982%, issued January 1992, maturing serially to 2011	600,000
Refunding Series 1993, average rate of 4.1860%, issued November 1993, maturing serially to 2008	1,605,000
Water and Sanitary Sewer Series 1995, average rate of 5.2756%, issued November 1995, maturing serially to 2015	10,350,000
Water Bonds Series 1997, average rate of 4.79%, issued December 1997, maturing serially to 2008	400,000
Combined Enterprise Revenue Series 1998A, average rate of 4.87%, issued January 1998, maturing serially to 2018	1,765,000
Combined Enterprise Revenue Series 2002, average rate of 4.84%, issued April 2002, maturing serially to 2022 with terms in 2020 and 2027	20,505,000
Water Bonds Series 1998, average rate of 4.4%, issued June 1998, maturing serially to 2017	<u>2,550,000</u>
	<u>\$17,845,000</u>

The general obligation bonds were issued to finance the construction of facilities utilized in the operations of the water and sewer systems and are being retired by the resources of the Water and Sewer Fund. These bonds bear interest, payable semiannually, and are collateralized by the full faith, credit, and taxing power of the City. The

combined enterprise revenue bonds were issued to finance the construction of facilities utilized in the operations of the water and sewer systems and are being retired by the resources of the Water and Sewer Fund. These bonds bear interest, payable semiannually, and are collateralized by the receipts of only the Water and Sewer Fund.

The Revenue Bond General Trust Indenture requires that the City must maintain certain debt covenants relating to reporting requirements, annual budgets, and minimum utility funds revenues. Net revenues available for revenue bond debt service can not be less than one hundred twenty percent (120%) of the long-term debt service requirement for parity indebtedness. The calculations of the City's revenue bond coverage for the last three years are as follows:

Fiscal Year	Gross Revenues (1)	Operating Expenditures(2)	Net Revenues Available for Revenue Bond Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1999	\$ 12,182,228	\$ 8,536,338	\$ 3,645,890	\$ 342,506	\$ 372,041	\$ 714,547	510.24%
2000	12,050,171	8,968,739	3,081,432	337,506	354,327	691,833	445.40%
2001	12,715,931	8,635,605	4,080,326	952,506	577,160	1,529,666	266.75%

(1) Total operating revenues plus investment earnings exclusive of revenue bond investment earnings.

(2) Total operating expenses exclusive of depreciation.

(3) Parity debt includes revenue bonds and N. C. State Clean Water Bonds only.

The City refunded a portion of the Sanitary Sewer Series 1988 bonds in November 1993. These bonds were refunded at an average interest rate of 4.1860%, which produced a net interest cost savings of \$174,748.

The City has entered into various agreements to lease certain water and sewer distribution systems. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Interest rates on these agreements range from 3.385% to 5.6%. The City has recorded water and sewer assets related to these leases at their fair market value of \$7,898,494. The future minimum lease payments at June 30, 2002 total \$5,150,134, including \$1,275,540 of interest. Upon completion of these lease payments the City will take ownership of the related assets.

In addition to this debt, the City also owes the State of North Carolina for debt issued through its Clean Water Revolving Loan program. Total Clean Water Debt is composed of the following four loans:

	<u>Balance June 30, 2002</u>
Clean Water Loan for Sewer purposes, average rate of 5.03%, issued July 1989, maturing serially to 2017	\$ 3,750,000
Clean Water Loan for Water purposes, average rate of 5.03%, issued January 1992, maturing serially to 2017	337,590
Clean Water Loan for Sewer purposes, average rate of 2.60%, issued June 1998, maturing serially to 2017	8,280,000
Clean Water Loan for Water purposes, average rate of 2.60%, issued January 1999, maturing serially to 2017	<u>\$2,700,000</u>
	<u>\$15,067,590</u>

Future maturities and interest of Water and Sewer Fund for all types of long-term debt are:

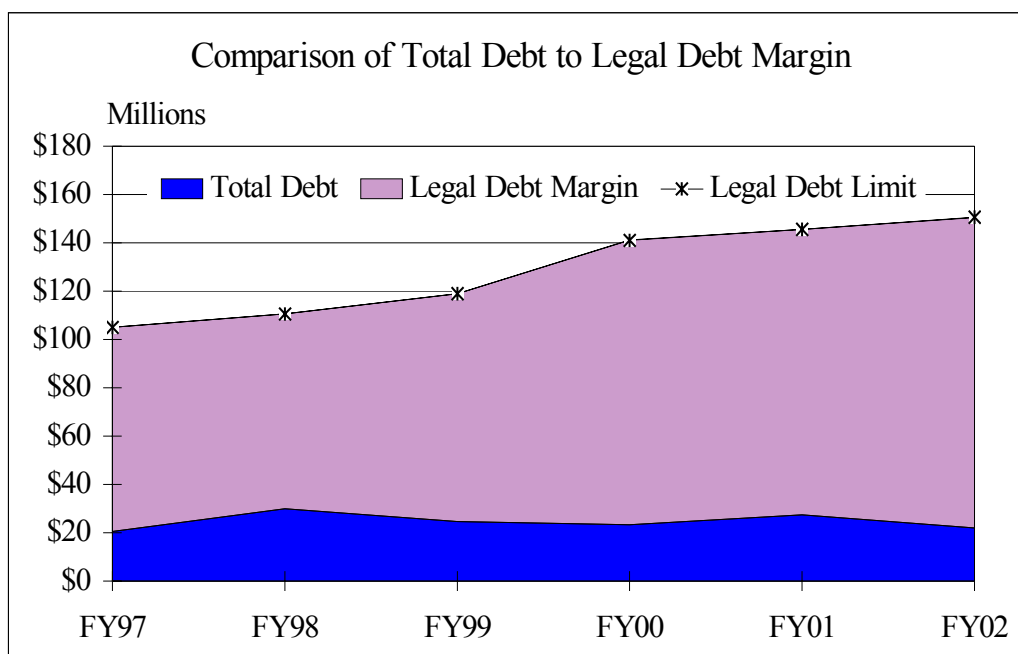
Year	General Obligation Bonds		Revenue Bonds		Clean Water Bonds		Capital Leases		Total	
Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	1,275,000	819,510	225,000	792,939	882,506	502,122	263,312	158,108	2,645,818	2,272,680
2004	1,270,000	756,173	590,000	980,659	882,506	471,819	269,677	147,763	3,012,183	2,356,414
2005	1,275,000	693,045	610,000	963,411	882,506	441,517	271,109	137,071	3,038,615	2,235,044
2006	1,275,000	629,603	630,000	945,591	882,506	411,214	270,612	126,307	3,058,118	2,112,715
2007	1,270,000	565,955	650,000	925,580	882,506	380,911	264,190	115,559	3,066,696	1,988,005
2008	1,215,000	502,518	675,000	903,788	882,506	350,608	260,847	104,983	3,033,353	1,861,897
2009	1,175,000	438,900	700,000	879,725	882,506	320,305	267,585	94,604	3,025,091	1,733,534
2010	1,175,000	377,850	730,000	853,890	882,506	290,003	274,409	83,860	3,061,915	1,605,603
2011	1,175,000	316,800	760,000	906,333	882,506	259,700	276,324	72,745	3,093,830	1,555,578
2012	1,175,000	255,700	795,000	792,505	882,506	229,397	283,334	61,480	3,135,840	1,339,082
2013	1,175,000	195,000	835,000	757,145	882,506	199,094	240,799	50,370	3,133,305	1,201,609
2014	1,175,000	134,625	870,000	723,478	882,506	168,791	240,799	40,830	3,168,305	1,067,724
2015	1,175,000	73,250	910,000	686,909	882,506	138,488	240,799	31,260	3,208,305	929,907
2016	175,000	12,375	950,000	647,972	882,506	108,186	240,799	21,690	2,248,305	790,222
2017	100,000	4,500	995,000	606,493	882,506	77,883	60,000	12,120	2,037,506	700,995
2018	-	-	1,045,000	562,162	610,000	47,580	60,000	8,670	1,715,000	618,412
2019	-	-	935,000	515,000	610,000	31,720	50,000	5,220	1,595,000	551,940
2020	-	-	980,000	468,250	610,000	15,860	30,000	2,320	1,620,000	486,430
2021	-	-	1,030,000	419,250	-	-	10,000	580	1,040,000	419,830
2022	-	-	1,080,000	367,750	-	-	-	-	1,080,000	367,750
2023	-	-	1,135,000	313,750	-	-	-	-	1,135,000	313,750
2024	-	-	1,195,000	257,000	-	-	-	-	1,195,000	257,000
2025	-	-	1,250,000	197,250	-	-	-	-	1,250,000	197,250
2026	-	-	1,315,000	134,750	-	-	-	-	1,315,000	134,750
2027	-	-	1,380,000	69,000	-	-	-	-	1,380,000	69,000
Totals	\$ 16,080,000	\$ 5,775,803	\$ 22,270,000	\$ 15,670,578	\$ 15,067,590	\$ 4,445,198	\$ 3,874,595	\$ 1,275,540	\$ 57,292,185	\$ 27,167,119

PROPOSED DEBT

The City of Salisbury currently does not anticipate issuing any additional debt during FY2002-03.

LEGAL DEBT MARGIN

As shown, the City has maintained an ample legal debt margin. This margin is based on a debt limit of eight percent of assessed valuation less total debt as required by North Carolina General Statutes. The margin allows for the incurring of proposed debt to finance the needed water and sewer infrastructure projects as outlined in Section X - CAPITAL IMPROVEMENT PROGRAM. Furthermore, the City complies with the Debt Management Policy as defined on page 2-4.



Computation of Legal Debt Margin at June 30, 2002

Debt limit: Assessed value of \$1,884,427,434 x 8%		\$ 150,754,195
Amount of debt applicable to debt limit:		
Total bonded debt	\$ 18,905,000	
Total capitalized lease obligation	<u>6,306,305</u>	
Total outstanding debt	\$ 25,211,305	
Less:		
Deductions allowed for water bonds issued	<u>2,950,000</u>	
Total amount of debt applicable to debt limit		<u>22,261,305</u>
LEGAL DEBT MARGIN		<u>\$ 128,492,890</u>

DIRECT AND OVERLAPPING DEBT⁽¹⁾

The table below shows the computation of direct and overlapping debt from the City and Rowan County. These amounts are as of June 30, 2001.

	Net General Obligation Debt <u>Outstanding</u>	Percentage Applicable to City of <u>Salisbury</u>	City of Salisbury's <u>Share of Debt</u>
City of Salisbury	\$ 3,025,000	100.00%	\$ 3,025,000
Rowan County ⁽²⁾	32,400,000	24.15%	<u>7,824,600</u>
Total direct and overlapping debt			<u>\$ 10,849,600</u>

⁽¹⁾ Based on assessed valuation.

⁽²⁾ Net debt and assessed valuation figures provided by Rowan County

